Macroeconomic consequences of decolonization in Indonesia

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Paper presented at the XIVth conference of the International Economic History Association, Helsinki, 21-25 August 2006

Session 31

Abstract

This contribution discusses statistical evidence on macroeconomic developments in Indonesia during the period 1945-1965. Attention is in particular given to economic growth and foreign trade performance. A separate discussion surveys the bilateral link with the Netherlands, the former colonial mother-country. The paper argues that it is difficult to establish an immediate causal link between the process of decolonization and macroeconomic developments in the long run Indonesia during the first two decades of independence. More structural factors, as conditioned by the colonial legacy, may have a greater explanatory potential.

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Note

This paper was prepared as part of the research programme 'Indonesia Across Orders', executed under auspices of the Netherlands Institute for War Documentation (NIOD), Amsterdam, and the International Institute of Asian Studies (IIAS), Leiden. It anticipates a forthcoming monograph on the economic decolonization of Indonesia.

1 Introduction

Indonesia became independent on 17 August 1945 and its sovereignty was recognized by its former colonial master, the Netherlands, on 27 December 1949. Dutch enterprises remaining in operation in Indonesia were seized in December 1957 and formally nationalized in 1959-1960 on the basis of legislation promulgated by the Indonesian parliament in December 1958. This brief chronology makes clear that economic decolonization in Indonesia followed a different path from political decolonization. In an oft-cited quotation, the nationalist leader *Haji* Agus Salim said about the 1950s that ‘the Indonesian Revolution had not yet entered its economic phase’ (Glassburner 1971: 80; Booth 1998: 61). This difference in the timing and momentum of change warrants an exploration of macroeconomic consequences of decolonization in Indonesia which forms the topic for this paper.

A great deal has been written about political decolonization, much less so about the economic side of the process. An interesting study on former colonies in Africa, but with a wider scope of applicability, attempts to link long-run economic growth with the way in which decolonization occurred. The key point here is that decolonization may have a disruptive impact with long-run economic repercussions depending on the situation (Bertocchi and Canova 2002).[1] This idea is used here as a source of inspiration. An exhaustive or rigid application would necessitate a comparison with other nations in Southeast Asia that underwent decolonization at the same time as Indonesia.

The survey covers the period 1945-1965 as it is believed that economic developments under the New Order government (1966-1998) need to be seen primarily against the background of the profound crisis, economic and political, in which Indonesia found itself in the mid-1960s (Hill 1996: 1-4). This paper applies a chronological arrangement. The next section below is concerned with the period of the Indonesian Revolution (1945-1949), then the focus shifts to the years 1950-1957, up to the seizure of Dutch corporate assets that ushered in the final act of economic decolonization. A separate attention highlights the bilateral relationship between

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[1] I am grateful to Daan Marks, MA, for drawing my attention to this literature in a paper presented at an international workshop on ‘The economic decolonization of Indonesia in regional perspective’, held at Leiden on 18-19 November 2005 (proceedings are forthcoming).

Indonesia and the Netherlands during these years.[2] Finally, this paper offers a global examination of economic developments during the years immediately following the seizure and subsequent nationalization of Dutch enterprises in Indonesia. Supporting statistical evidence is presented in the appendix.

2 Revolution

The second half of the 1940s presents extreme difficulties for the economic historian. The Indonesian archipelago was for all intents and purposes divided into two countries: the newly proclaimed Republic in control of large parts of Java and Sumatra on the one hand and the territories where Dutch colonial rule had been successfully restored on the other. The latter territories were partly located in Java and Sumatra too and also spread out across the other islands. Guerrilla warfare raged for the better part of four and half years, from August 1945 to December 1949, and twice did the Dutch resort to military intervention, in July-August 1947 and December 1948-January 1949. The Dutch-controlled territory was enlarged on either occasion but both interventions did irreparable damage to the international prestige of the Netherlands and paved the way for a diplomatic victory for Sukarno's Republic. Economic statistics about this period are incomplete and unreliable, if available at all, especially for the territory of the Republic.

Priorities of economic policy differed fundamentally between the two parts of the archipelago. The Republic was fighting for its very existence and the most important task was to raise funds to finance the armed struggle against the Dutch. This meant a considerable military involvement in trading and extensive smuggling in order to circumvent the naval blockade imposed by the Dutch. Exports of oil and rubber, whether clandestine or official, fuelled the Indonesian Revolution and some military men became more versed in commerce than warfare (Zed 2003).

In the Dutch-controlled territories, highest priority was attached to rehabilitation and restoration of productive capacity. The apparatus for export production was in extremely bad condition after the Japanese occupation. Volumes in export production

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[2] It needs to be said that this paper does not cover the political relationship between the Netherlands and Indonesia in the wake of Indonesian independence. A comprehensive survey is available in the Dutch language (Meijer 1994).

in 1946/47corresponded to a mere fraction of levels that had prevailed before the Pacific War, notably 12 per cent in oil, 5 per cent in estate rubber, less than one per cent in sugar and palm oil (Booth 1998: 49-51).

Foreign trade expanded dramatically during the years 1947-1949 but from a very low starting-point (Table 1). The total value of exports doubled in 1947, compared to 1946, and rose threefold in 1948, compared to 1947. This was followed by another 50 per cent hike in 1949. By 1948, the pre-war level of total export revenue, approximately one billion guilders, had been by and large restored. Imports increased fast in 1947 but then the expansion slowed down relative to the increase among exports. Available statistics refer only to the Dutch-controlled territory. According to one estimate based on the trade statistics of Singapore and Malaya, 15 per cent needs to be added to the Federal figure in order to get a total for the entire archipelago. This correction appears improbably low considering the widespread smuggling that took place between Republican areas in Sumatra and Kalimantan with Malaya and Singapore.

By 1950, immediately after the transfer of sovereignty, national income in Indonesia was clearly below the level of 1940. According to a contemporary calculation, later corroborated by more statistics, the pre-war level volume of national output was only restored in 1953 (Muljatno 1960: 184; Van der Eng 1992: 369). The long period required for rehabilitation reflected both the extreme damage inflicted upon the economy during the Japanese occupation and the hard way by which Indonesian independence was won. This initial hardship put Indonesia at a disadvantage with respect to economic development as compared to neighbouring countries, in particular the Philippines and Malaysia, where decolonization occurred in a far more smooth fashion (Lindblad 2003b).

3 Resumed growth

The period 1950-1957 has suffered from the stubborn dismal image of the entire 'Old Order' of Sukarno (1945-1966) in terms of economic development. Achievements in 1950-1957 have been overshadowed by the overall poor performance, culminating in crisis, during the last phase of Sukarno rule. National income, as expressed by Gross Domestic Product (GDP), rose in real terms by 6 per cent on average between 1951 and 1957, which generated an annual increase in real GDP per capita of about 2 per cent despite a very fast growth of population (Dick et al. 2002: 178, 192). Growth performance was impressive compared also to other Third World countries. External conditions were favourable. The Korea War boom bolstered world demand for oil and rubber, precisely two products that Indonesia could supply in very large quantities.

Performance in foreign trade was particularly good in the very early 1950s but tapered off somewhat in 1952 and after that export revenues stayed at rather stable (Table 2). Total exports doubled in 1950 above 1949 and rose by more than 60 per cent in 1951 which produced a comfortable surplus in the balance of trade. There was a sharp drop in export earnings in 1952, from $ 1.3 billion in the previous year to $ 930 million, or from Rp. 14.7 billion to Rp. 10.6 billion as denominated in the Indonesian currency after its devaluation in February 1952. In 1952 and 1953, the balance of trade showed a deficit instead of the traditional surplus. The years 1954 and 1955 saw severely reduced expenditures on imports and the surplus in the balance of trade was restored.

Rubber and oil continued to play the role as prime earners of foreign exchange. Their combined share in the total never fell below 57 per cent during the years 1950-1957. Rubber alone accounted for about 40 per cent on average, higher than that in 1951, 1952 and 1955 but lower in other years (Thomas and Panglaykim 1973: 86). The very high share of only two commodities in total export revenues signalled a structural weakness in the export-oriented Indonesian economy. The range of exports with good market prospects was a great deal narrower than had been the case in the late colonial period (Dick et al. 2002: 123-127).

There were really only three lines of export production (Table 3). Oil, ranking at the intersection between mining and manufacturing, claimed a share in total exports increasing from 18 per cent in 1950 to 25 per cent in 1955. The two parallel lines of export production in agriculture, smallholders and estates, were together good for almost 90 per cent of all non-oil exports. The share of smallholders was traditionally far larger than that of the estates but proportions changed over time, from 65:35 to 55:45.

The traditional economic structure was also reflected among imports from abroad (Table 4). The share of raw materials was very high, never below one-third, on occasion climbing to one-half of total imports. This category included rice which reaffirms that productivity levels in domestic food agriculture were still very low

(Booth 1988: 1). Textiles may here serve as a proxy for consumer goods in general. Their high share in total imports conveys that productive capacity in domestic textile manufacturing was still insufficient for import substitution at an appreciable scale. The low share of capital goods, finally, testifies to a limited demand for advanced machinery and equipment in processing industries. A decisive step in the direction of raising productivity and levels of technological sophistication would have pushed capital goods imports upwards, both absolutely and relatively speaking, whereas imports of basic foodstuffs and simple manufactured goods would have become less important.

Economic growth was resumed, albeit without much in the vein of modernization of the economy, and it is tempting to link the positive results with the continued operations of a large number of Dutch private companies in Indonesia. Yet, we must not overlook that some major players in the export-oriented Indonesian economy at the time were emphatically *not* Dutch, including the vast numbers of indigenous smallholder rubber producers, the British or American rubber estates, not to mention the two American oil companies (Caltex and Stanvac) that, in conjunction with Royal Dutch/Shell, controlled the oil industry. The resumed growth was not necessarily closely linked to the process of decolonization as such but rather to an economic structure permitting Indonesia to take advantage of opportunities opening up during the on-going boom in the world market.

4 Accommodation under strain

Dutch recognition of Indonesian independence came under exceptionally harsh conditions. Not only was the young sovereign nation saddled with the burden of a very considerable debt incurred by the Netherlands Indies to the Netherlands. The financial-economic agreement, Finec, concluded in early November 1949, also embraced guarantees safeguarding the continued operations in Indonesia of Dutch private companies, in particular a large number of agricultural estates and trading-firms. More than 1,000 Dutchmen were retained in senior positions in the country's civil service, at any rate for the first couple of years (Dick et al. 2002: 170-172; Booth 1998: 62).These agreements remained in force until unilaterally abrogated by Indonesia in February 1956. By that time most of the debt (80 per cent) had been paid off whereas most Dutchmen in Indonesian civil service had been repatriated. Our discussion of the economic relationship with the former colonial mother-country focuses on mutual trade and Dutch investment in Indonesia.

The share of the Netherlands in Indonesian foreign trade was at virtually the same level in the early 1950s as in the late 1930s, approximately one-fifth of Indonesian exports and one-eighth of Indonesian imports (Table 5). Among European trading-partners, the Netherlands traditionally ranked first. Large quantities of tobacco, tin and tea from Indonesia were shipped to Amsterdam and from there distributed all over Europe. The Netherlands accounted for more than one half of exports destined for European consumers and about one-third of import goods with a European origin.

The mutual trading relationship began to change in the mid-1950s. In 1954, a substantial proportion of goods imported from the Netherlands was replaced by products from other European suppliers and in 1955 exports were similarly redirected to other European destinations than the Netherlands. In either case, the Dutch share in Indonesian foreign trade fell for the time being. But it soon recovered, in 1955 among imports into Indonesia and in 1956 for exports from Indonesia. The downward trend resurfaced in 1957 as Dutch-Indonesian trade lagged behind in the general development of Indonesian foreign trade.

In the late 1930s, accumulated Dutch private investment in Indonesia amounted to 2.2 billion guilders ($ 900 million) corresponding to 70 per cent of all foreign direct investment in the archipelago (Lindblad 1998: 14). Outlays on rehabilitation of Dutch-owned corporate assets during the years 1947-1952 are estimated at 450 million guilders ($ 200 million) or 75 million guilders ($ 30 million) annually (Creutzberg 1977: 21). Statistics on accumulated stock of Dutch direct private investment in Indonesia during the 1950s are scarce and tend to offer little more than an extrapolation from the more robust pre-war data. Total value of Dutch corporate assets in 1950 is estimated to have ranged between 3150 million and 3500 million guilders (Meijer 1994:648).

Both trading and long-term investment commitments generated handsome incomes for the colonial mother-country. Later Nobel Prize Laureate Jan Tinbergen and an associate estimated that colonial Indonesia contributed 8 per cent of Dutch GDP in the late 1930s, or even 14 per cent when including secondary multiplier effects due to spending of primary income, which is a high figure by any international comparison (Derksen and Tinbergen 1945; Maddison 1989: 24). It was used both to mobilize public support in the Netherlands for military intervention against the Sukarno regime and by official representatives of the Republic to discredit the Dutch in the eyes of international public opinion (Van den Doel 2000:271; Sumitro 1946).

Post-war rehabilitation required far more time and energy in Indonesia than in the Netherlands. As a result, the relative share of gains from Indonesia towards Dutch national income fell sharply. The contribution to Dutch national income averaged 4.4 per cent during the years 1950-1952 (7.7 per cent including secondary effects). It then declined again, to 2.8 per cent (4.8 per cent) in 1953-1955 and crept below the 2 per cent level in 1956 and 1957. At least two-fifths of this flow of income stemmed from trading activities whereas direct transfers of profits accounted for about one-eighth (Meijer 1994: 649).

Few in Dutch companies in the early 1950s denied that there was an urgent need to redefine business strategies under the new circumstances in Indonesia. Two types of choices had to be made. One was between a short- and a long-run perspective, the other between accommodation to changing circumstances and a reorientation by searching for new opportunities outside Indonesia.

Time horizons in business strategy are most clearly revealed by dividend policies and fresh investment commitments. Transfers of profits to the Netherlands (excluding oil) amounted to about 320 million guilders (Rp. 960 million) over the years 1950-1952.[3] Direct transfers by private Dutch companies to the Netherlands included profits, dividend and interest payments as well as contributions to pension funds and employee savings funds. This aggregate approached Rp. 1.1 billion in 1953, declined to Rp. 840 million in 1954 and Rp. 810 million (270 million guilders) in 1955. For 1956 and 1957, Dutch sources give totals around Rp. 500 million while higher Indonesian estimates kept popping up in a press that was becoming increasingly critical of the behaviour of Dutch firms (Meijer 1994: 649; *Antara* 4 May 1956, 9 December 1957).

These transfers of profits and related contributions were impressive by any yardstick, considering not in the least the imposed by the Indonesian authorities on overseas remittances. Profits of foreign firms were heavily taxed and authorizations for overseas transfers were proverbially slow in forthcoming. Dutch trading-firms estimated that one-half of profits generated in Indonesia actually ended up in the

[3] Bank Indonesia, Jakarta: Archive of De Javasche Bank, vol. 3235, 27 March 1952, vol. 3352 no. 47A.

Netherlands and only after a long delay (Jonker and Sluyterman 2000: 267). Direct transfers to the Netherlands by private Dutch firms over the period 1950-1957 added up to almost 2.4 billion guilders. This amount was matched by incoming flows of fresh investment. Estimates of such flows in the literature for the years 1950-1957 range from 710 million guilders to 1.5 billion guilders. The former figure contains a sizeable proportion of expenditures required for rehabilitation around 1950 whereas the latter one is likely to be far too high (Creutzberg 1977: 21; Van der Zwaag 1991: 288; Meijer 1994: 497). On balance, a higher priority was given to immediate gains from the boom in the Indonesian export economy at the time compared to investing in future profit-generating capacity.

In October 1956, less than fifteen months before the takeover of Dutch enterprises, the directors of the trading-concern Internatio admitted that the situation in Indonesia was becoming almost untenable and that it was 'increasingly difficult for Dutch firms to stay afloat' (*het wordt voor de Nederlandse ondernemer steeds moeilijker zich te handhaven*). Nevertheless, the directors assured trustees, 'we certainly fulfil functions here that are still useful, important and hopefully also profitable' (*wij vervullen er bepaaldelijk nog nuttige, belangrijke, en naar wij hopen ook lucratieve functies*) (Jonker and Sluyterman 2000: 269). Three reasons have been advanced to explain why Dutch companies showed such a stubborn insistence on accommodation, virtually at any cost. One was a lack of viable alternatives, another the undeniable potentials of the Indonesian economy, a third one the firm conviction that Dutch management was indispensable in Indonesia and likely to remain so for a long time (Sluyterman 2003: 218).

But some did try to find a new destiny outside Indonesia, including several members of the famed 'Big Five', the leading Dutch trading-houses controlling a very large proportion of the import trade. Borsumij and Hagemeijer were setting up branches in Singapore and New Guinea already in the late 1940s and Internatio explored the Chinese market. Lindeteves established a subsidiary in Africa whereas Internatio, Borsumij and Hagemeijer all tried out ventures in East Africa or Belgian Congo. Jacobson van den Berg went to Mozambique, Geo. Wehry to Ghana. HVA tried in vain to copy the success of the Java sugar industry on the dry soils of Ethiopia. Others experimented with operations in Latin America. They all incurred losses. The accumulated experience from a tropical economy such as Indonesia did not readily lend itself to emulation elsewhere (Baudet and Fennema et al. 1983: 153-156, 163-164; Goedkoop 1990; Jonker and Sluyterman 2000: 273-281).

A separate issue concerns the quest for so-called *indonesianisasi* or the elevation of qualified Indonesian employees into higher management and supervisory functions in Dutch firms.[4] The commitment to promote *indonesianisasi* was written into the Finec agreement of 1949, albeit without any specifications of targets or timetables. In addition, a gentlemen's agreement was concluded with Dutch business that indigenous Indonesian employees make up 70 per cent of the total workforce but nowhere was clearly stated when this target had to be met or whether it applied also to higher staff functions (Meijer 1994: 352). Implementation was on a voluntary basis and the Indonesian authorities disposed over few devices to enforce implementation. One effective tool, however, was through restricting entry and work permits for Dutch expatriates. In mid-1952, the Indonesian government introduced strict immigration controls. Employers had to demonstrate that a vacancy could not be filled locally before getting permission to recruit from overseas. Numbers of work permits granted to Dutchmen were drastically reduced. In 1953, the authorities only issued 1000 permits which was clearly insufficient to replace departing Dutch employees and find candidates for new vacancies (Meijer 1994: 353).

The process of *indonesianisasi* inside Dutch firms was speeded up during the years 1953-1957. Evidence from leading firms such as Internatio and the Billiton tin mines suggests that a greater participation by Indonesian employees was indeed achieved but in a rather selective fashion where the Dutch employer, differently from the Indonesian authorities, did not differentiate carefully between indigenous Indonesians and Indonesians of Chinese descent. Most, if not all high-ranking positions in company hierarchies remained firmly in Dutch hands (Van de Kerkhof 2005a, 2005b). The process went too slowly to the taste of economic nationalists in Indonesia but too fast in the eyes of Dutch managers. No one was satisfied with the results.

The relationship between Indonesia and the Netherlands went from bad to worse as the conflict about the possession of western New Guinea escalated in 1956 and 1957. In December 1957, starting with the Jakarta office of the shipping concern KPM (*Koninklijke Paketvaart Maatschappij*), virtually all remaining Dutch enterprises were

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[4] The term *indonesianisasi* was coined by the American political scientist John Sutter. It has a broader connotation than merely applying to personnel policies with respect to Indonesian employees (see further Sutter 1959: 2; Lindblad 2002). This is all treated in detail in a forthcoming monograph.

seized by local trade unions.[5] The government was quick to step in and to legalize the actions in retrospect and order Dutch-owned corporate assets to be placed under direct supervision of the military.[6] Dutch employees left the country throughout the first half of 1958. Management was taken over by Indonesians, often by senior employees with a long record of service in the company in question. Formal nationalization was effectuated primarily during the first half of 1959 following legal authorization by the Indonesian parliament in December 1958. In accordance with this legislation, an arrangement for compensation to the Dutch was long afterwards devised, although final amounts were a far cry from the claims submitted by affected Dutch firms (De Jong and Lessing-Sutherland 2004). All former Dutch-owned firms became state property. The economic decolonization had reached completed.

5 Stagnation again[7]

On Independence Day 1959, President Sukarno presented a ‘Political Manifest’, labelled *Manipol*, which laid the foundation for the ‘Guided Economy’, *Ekonomi Terpimpin*, a new economic system stressing socialist and co-operative ideals with priority given to state-run operations above private entrepreneurship. It fitted with the new political system named ‘Guided Democracy’, introduced by Sukarno in July 1959, and equally well with reality in economic life where participation by the state had been significantly enhanced through the nationalization of Dutch enterprises. Within half a decade, it was to alter the Indonesian economy almost beyond recognition (Mackie 1959; Tan 1967:29). Macroeconomic developments during the aftermath of economic decolonization are again best illustrated by figures on foreign trade and national income.

Performance in foreign exports was disappointing in the late 1950s and the first half of the 1960s (Table 6). Total exports declined sharply in 1958, recovered in 1959 but declined again in 1960. The recovery in 1959 was staged by, amongst others, a 60 per

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5 The oil company BPM (*Bataafsche Petroleum-Maatschappij*) and Unilever both escaped being seized as they were conveniently considered to be more British than Dutch. This also applied, surprisingly, to Heineken breweries, formally owned by an international holding company.

6 There is some discussion in the Indonesian historiography whether the Sukarno government was taken by surprise by the actions of the trade unions or even orchestrated the takeovers (Kanumoyoso 2001: 78-79; Kahin and Kahin 1995: 111 Gardner 1997: 142).

7 This section is in part based on Lindblad 2003a.

cent increase in revenue from rubber exports. Imports at first followed in the wake of exports, declining in 1958. Expansion was resumed in 1960, with a one-year time lag compared to exports. As a consequence, the surplus on the balance of trade was exceptionally large in 1959. The steep decline in revenue from rubber exports in 1958 was not only caused by shrinking production at the estates, many of them just taken over, but above all by declining output levels among Indonesian smallholders who of course were not at all affected by the takeovers. Smallholders were responsible for the recovery in 1959 but suffered a setback again in production in 1960. Declining market prices abroad for Indonesian products offer a supplementary explanation of the decline in 1958, either directly as producers got less per unit sold, or indirectly as producers slowed down production expecting prices to rise. Indonesia had the bad fortune of changing ownership and management patterns drastically in an export-oriented economy precisely at a time when prospects in world markets for Indonesia's exports were worsening anyway.

The Indonesian rupiah underwent a steep depreciation in August 1959 when the currency at the official rate of exchange fell to one-quarter of its previous value. This draconic measure represented an overdue adjustment of the rupiah's value but it failed to facilitate a recovery of foreign exports. Export values fell in 1960 and again in 1962, in part caused by less revenues from exports oils. Export volumes did increase for oil, in particular in 1964, but not for rubber. The weakened demand for foreign consumer goods reflected a loss of purchasing-power as the predicaments of the Indonesian economy worsened. The current account as a whole displayed a deficit that had to be financed by large-scale foreign borrowing. Performance in foreign trade was without doubt adversely influenced by unwise economic policies and poor management. More importantly, however, the excessive dependence on a narrow range of exports became fatal as prospects for Indonesia's two prime commodities worsened.

Indonesia was heading for crisis as is apparent from the stagnation in national income levels from the late 1950s onwards (Table 7). The turmoil and sudden changes in conditions of production in the very late 1950s led to near-zero growth in the years 1958-1960 but improvement did follow in 1961. The 4 per cent increase in that year tells us that immediate effects of the nationalization of Dutch business were less disastrous than what is often tacitly assumed. Then came another downward turn that accompanied the worsening performance in foreign exports. The increase in 1965 was strikingly large considering galloping inflation and the approaching near-collapse of the economy.

The Indonesian population was growing very rapidly at this time at a rate of about 2.3 per cent annually. A mediocre growth performance such as over the period 1958-1965 was not sufficient to offset population growth, let alone lay the basis for sustained increases in per capita income. Only at the end of the decade, in 1969, was the level of per capita income of 1960 surpassed (Thomas and Panglaykim 1973: 8; Van der Eng 2002: 172; Dick et al. 2002: 192). Throughout these years, the economic structure remained traditional with a constant, high share of agriculture in national output. Reviewed in a longer time perspective, the Indonesian economy in fact underwent a structural retrogression between the late 1930s and mid-1960s in the sense that share of traditional or labour-intensive lines of production in total output increased rather than declined as one would expect with a continuous modernization of economic structure (Booth 1998; 70-72).

The crisis of the mid-1960s occurred at a time when other economies in a comparable situation were *not* hit by crisis but, on the contrary, enjoyed rapid economic growth. The crisis of the Indonesian economy in the 1960s must therefore be ascribed to an important degree to internal factors (Thee 2003: 194). Yet, this does not preclude that external factors may have had an adverse impact as well, especially considering the extreme vulnerability of the type of export-oriented economy that Indonesia possessed at the time. Also, the emphasis on internal factors does not automatically imply a direct causality with decolonization. According to a stubborn belief among many Dutchmen, the Indonesian economy went down the drain as soon as the Dutch had left. The evidence does not substantiate such a direct link,

6 Conclusion

This paper identifies macroeconomic consequences of decolonization in Indonesia during the first two decades of independence. It shows that consequences were less clear-cut and causal links less obvious than what they may appear at first sight. A few examples may suffice to support the argument.

Indonesia had to fight for its independence. Political decolonization therefore had disastrous macroeconomic consequences at the time but things did not stay disastrous.

A full rehabilitation took place and macroeconomic performance was comparatively good during the years 1950-1957. Indonesia was aided by a boom in world markets and access to foreign capital and technology and growth was apparently not seriously impaired by the conditions under Dutch recognition of Indonesian independence had to be obtained. Trade and investment relations with the Netherlands remained largely intact until economic decolonization was forcefully speeded up in the second half of the 1950s with Dutch investors prepared to accommodate but also inclined to choose a short-run perspective above long-run commitment. The deterioration in macroeconomic performance during the 1960s became serious only after a certain time-lag since the takeovers and nationalization of Dutch enterprises.

Causal links are likely to be stronger with the colonial legacy bequeathed to Indonesia by the Dutch than with the process of decolonization itself. Indonesia inherited an economic structure highly suitable for short-run gains during an overall boom in world markets but little conducive for sustained economic growth in the long run.

Appendix

Table 1. Foreign trade of Dutch-controlled Indonesia, 1946-1949.

(million guilders)

	Exports			Imports	Balance
	Rubber	Oil	Total	Total	
1946	70	6	155	282	- 127
1947	68	62	343	810	- 467
1948	256	260	1044	1134	- 90
1949	248	412	1478	1574	- 96

Sources: Arsip Nasional Republik Indonesia, Jakarta: NEFIS collection, vol. 29, 18 May 1949; DJB 1951: 63; 1953: 123.

Table 2. Foreign trade of Indonesia, 1950-1957.

(Rp. million)

	Exports			Imports	Balance
	Rubber	Oil	Total	Total	
1950	1284	560	3038	1673	1365
1951[1]	2483	703	4908	3318	1590
1951[2]	7449	2109	14724	9954	4770
1952	4778	2181	10652	10806	- 154
1953	3080	2291	9343	8584	- 759
1954	3013	2579	9759	7172	2587
1955	4888	2421	10620	6888	3732
1956	4028	2560	10055	9755	300
1957	3983	3677	11052	9086	1966

Source: Bank Indonesia 1955: 93, 96; 1958: 128-129.
Exchange rate: [1] Rp. 3.80/$, [2] Rp. 11.40/$

Table 3. Foreign exports of Indonesia by production line, 1950-1955.

(Rp. million)

	Total	Non-oil	Agricultural	Smallholder	Estate
1950	3038	2478	2175	1425	750
1951	4908	4205	3719	2422	1297
1952	10652	8471	7124	3792	3332
1953	9343	7052	5886	3007	2879
1954	9759	7180	6110	3342	2768
1955	10620	8199	7198	4006	3192

Source: Bank Indonesia 1955: 93; 1957: 127.
Exchange rate: 1950-1951: Rp. 3.80/$, 1952-1955: Rp. 11.40/$

Table 4. Foreign imports of Indonesia by type of commodity, 1951-1956.

(Rp. million)

	Total	Raw materials	Textiles	Capital goods
1951	3318	1148	1701	469
1952	10806	3440	5377	1989
1953	8584	3232	3740	1612
1954	7172	3048	2686	1425
1955	6888	3451	2133	1279
1956	9755	3775	4050	1893

Source: Bank Indonesia 1955: 93; 1957: 33.
Exchange rate: 1951: Rp. 3.80/$, 1952-1956: Rp. 11.40/$

Table 5. Trade between Indonesia and the Netherlands, 1951-1957.

	Exports to Netherlands			Imports from Netherlands		
	Value	Share (%)		Value	Share (%)	
	(Rp. mill.)	Europe	Total	(Rp. mill.)	Europe	Total
1951	1012	59	21	395	36	12
1952	2278	65	21	1417	37	13
1953	2104	64	23	1007	34	12
1954	1882	56	19	750	30	10
1955	1675	43	16	808	26	12
1956	1956	51	19	1038	29	11
1957	1854	51	17	892	26	10

Source: Bank Indonesia 1955: 98-99, 1958: 133-134.

Table 6. Foreign trade of Indonesia, 1957-1964.

(Rp. million)

	Exports		Imports	Balance
	Total	Oil	Total	Total
1957	11052	3677	9086	1966
1958	8612	3219	5851	2761
1959	10613	3257	5494	5119
1960	9578	2515	6583	2995
1961	35467	11741	35833	- 366
1962	30676	9711	29120	1556
1963	31337	12093	22606	8731
1964	32589	17969	27973	4616

Sources: Bank Indonesia 1958: 128-129; 1960: 132; 1966: 109.
Exchange rate: 1957-1960: Rp. 11.40/$, 1961-1964: Rp. 45/$.

Table 7. National income development in Indonesia, 1958-1965.

	Net national product (Rp. billion)	Real GDP per capita (Rp.)	Share of agriculture (%)
1958	386.5	4289	50.4
1959	387.9	4212	52.1
1960	390.5	4145	52.3
1961	406.5	4217	50.1
1962	403.4	4091	53.3
1963	396.0	3929	51/1
1964	406.6	3940	51.9
1965	429.7	4054	52.8

Source: Bank Indonesia 1966: 3.
Note: All money values in constant prices of 1960

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